

## BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEALS OF	)	APPEAL NOS. See Attachment A
HARPOS, INC. from the decisions of the	)	
Board of Equalization of Kootenai County	)	FINAL DECISION
for tax year 2007.	)	AND ORDER

### VACANT LAND APPEALS

THESE MATTERS came on for consolidated hearing Wednesday, November 28, 2007 in Coeur d'Alene, Idaho before Board Member Linda S. Pike. Board Members Lyle R. Cobbs and David E. Kinghorn participated in this decision. President Peter Ward, together with witnesses, appeared at hearing on behalf of Appellant. Residential Appraisal Manager Darin Krier and Appraiser Erin Sacksteder participated at hearing for Respondent Kootenai County. These appeals are taken from decisions of the Kootenai County Board of Equalization (BOE) denying<sup>1</sup> the protests of valuation for taxing purposes of properties described by parcel no. in Attachment A.

**The issues on appeal are the market values of 22 single family residential lots.**

**The decisions of the Kootenai County Board of Equalization are reversed.**

### FINDINGS OF FACT

The subject property is 22 vacant, buildable lots in two adjacent subdivisions (additions to Spirit Lake). The property is located in the City of Spirit Lake. Lots generally range in size from about .23 to .53 acres. One lot is larger at .681 acres. The lot associated with Appeal No. 07-A-2467 is the only one fronting on a graveled street. All other lots are on a paved street. All lots have utility services available.

Each lot was assessed for \$63,750 regardless of size. Appellant requests the values be

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<sup>1</sup> Split decision.

reduced to \$43,000, \$45,000 and \$48,000 dependent on three (3) size groupings. See Attachment A for a listing of taxpayer's value claims for each parcel/appeal no.

Appellant offered an independent fee appraisal (summary appraisal report) in support of the 22 value claims. The appraisal's valuation date was January 1, 2007 and considered the sales comparison approach – using 13 land-only sales – in developing a value estimate for each subject lot. The County's consideration of improved sales with residences to measure land value was alleged to be improper appraisal practice.

The fee appraiser was present and participated at the hearing. Lot values were opined to be dependent on size and were mostly estimated at between \$41,300 and \$49,500. One larger-sized lot was valued at \$59,300. The lot on the gravel street was valued at \$37,600. The fee appraiser found market values in the area had declined substantially over 2006. This opinion was also expressed by Appellant's other witnesses. The decline in value was measured or evidenced in various ways by the different witnesses.

Taxpayer's value case also considered purchase offers, a seller's counter offer, and sale agreements where there was no closing on the deal. This information was specific to subjects' immediate subdivisions. It was contended the 2007 assessments did not reflect the best available sales information and the sharp market decline in the second half of 2006. Appellant contended it had presented the only current appraisal of subject lots using recognized appraisal methodology and truly comparable sales data.

Respondent reported the subject lots were last reappraised for the 2004 tax year. At that time sales information from 2002 and 2003 was considered in setting site values. In subsequent years new sales information was considered that resulted in "market adjustments" to prior year assessed values. In supporting the trends applied to subject assessments for 2007, the county

looked at ratio study reports for land and improved sales studies. There were insufficient land-only sales in subjects' two (2) subdivisions to study the area separately. The County considered a total of 73 land and improved sales from the greater Spirit Lake area. The 73 sales included 34 vacant and 39 improved properties. Different trends were determined for five (5) neighborhoods.

Subject's area had a trend factor (market adjustment) of 1.7 applied for 2007. For the 2006 tax year, the trend applied to subjects' prior year assessed value was even larger at 2.5. After all the trending, the Assessor studied 34 area land sales and measured a median assessment ratio (assessed value divided by time-adjusted sale price) of 93%. The Assessor's time adjustments to older sale prices were 1% a month for 2004, 2% a month for 2005, and 3/4% a month for 2006.

To further support the subject assessments the County also presented land residual values (extractions) calculated from improved sales. The average land residual site value from subjects' neighborhood<sup>2</sup> was \$81,879. In the same neighborhood the County identified only one unimproved sale of a larger lot (1.911 acres). The time-adjusted price for this June 2006 land sale was \$162,401. The lot had no site improvements.

Respondent argued it relied on mandated and approved *ad valorem* appraisal practices in assessing the subject lots, which methodology properly considered the available and good sales information germane to subjects' fair market values.

### CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to

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<sup>2</sup> The Assessor's Office refers to "Geo's" which is understood to be short for geographic economic areas. The Board will refer to them in this opinion as neighborhoods.

support a determination of fair market value. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

The determination of market value is primarily a factual issue. Certain legal constraints apply here such as the specific appraisal date of January 1, 2007. Idaho Code § 63-205(1). The valuation of land is typically determined through a sales comparison approach to value as presented by Appellant's appraiser. The County did not present a current appraisal of subject lots, but instead relied on a reappraisal from 2004 that was substantially adjusted in attempting to reflect current market conditions. On the whole, the evidence of value from Appellant was found to be superior to that presented by the County. Taxpayer's evidence was persuasive on the changes in market conditions over 2006. The appraisal and consideration of this key evidence was superior and thorough.

The parties both recognized there were limited good comparable sales. The appraisal techniques in addressing this were very different. The concern in this appeal centers directly on the market value of subject lots and these lots only. Appellant's sales comparison approach focusing as it did on subjects and the 2007 assessment date was found to be the best evidence of subjects' market value and was supported by other evidence in the record. The Assessor did not process a current sales comparison approach to value.

Appellant's value claims as expressed in the notices of appeal were supported by substantial evidence in the record. These claims were not amended prior to hearing. For the reasons expressed above the Board will reverse the decisions of the Kootenai County Board of Equalization in ordering the subject lots' values be set at the value claims specified in Attachment A.

## FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the value decisions of the Kootenai County Board of Equalization concerning the subject parcels be, and the same hereby are, REVERSED lowering the assessed values to taxpayer's value claims as specified in Attachment A.

IT IS FURTHER ORDERED that any taxes which have been paid in excess of those determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellant.

**Attachment A**

Before the Idaho Board of Tax Appeals

Harpos, Inc. Appeals -- Kootenai County 2007 TYR

	<u>Appeal No.</u>	<u>Parcel No.</u>	<u>Acres<sup>3</sup></u>	<u>Taxpayer Value</u>
1.	07-A-2458	S10000010050	.527	\$48,000
2.	07-A-2459	S10000010070	.681	\$48,000
3.	07-A-2460	S10000010010	.529	\$48,000
4.	07-A-2461	S10000010030	.527	\$48,000
5.	07-A-2462	S10000010040	.527	\$48,000
6.	07-A-2463	S35000010010	.232	\$43,000
7.	07-A-2464	S35000010020	.234	\$43,000
8.	07-A-2465	S35000010030	.230	\$43,000
9.	07-A-2466	S35000010040	.230	\$43,000
10.	07-A-2467	S35000020010	.231	\$43,000
11.	07-A-2468	S35000020030	.267	\$43,000
12.	07-A-2469	S35000020040	.269	\$43,000
13.	07-A-2470	S35000020050	.274	\$43,000
14.	07-A-2471	S35000010080	.333	\$45,000

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<sup>3</sup> The Board has chosen to present land sizes here as reflected in County records and materials.

Appeal Nos. 07-A-2458 thru 07-A-2479

15.	07-A-2472	S35000010090	.333	\$45,000
16.	07-A-2473	S35000010100	.336	\$45,000
17.	07-A-2474	S35000010110	.333	\$45,000
18.	07-A-2475	S35000020060	.337	\$45,000
19.	07-A-2476	S35000020080	.333	\$45,000
20.	07-A-2477	S35000020090	.333	\$45,000
21.	07-A-2478	S35000020060	.352	\$45,000
22.	07-A-2479	S35000010120	.334	\$45,000

MAILED May 1, 2008